

# SENATE BILL REPORT

## SB 6273

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As Reported by Senate Committee On:  
Health & Long-Term Care, January 25, 2010

**Title:** An act relating to insurance coverage of the sales tax for prescribed durable medical equipment and mobility enhancing equipment.

**Brief Description:** Concerning insurance coverage of the sales tax for prescribed durable medical equipment and mobility enhancing equipment.

**Sponsors:** Senators Swecker, Fairley, Keiser, Hatfield, Pflug, Stevens, Shin and McCaslin.

**Brief History:**

**Committee Activity:** Health & Long-Term Care: 1/18/10, 1/25/10 [DPS].

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### SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

**Majority Report:** That Substitute Senate Bill No. 6273 be substituted therefor, and the substitute bill do pass.

Signed by Senators Keiser, Chair; Franklin, Vice Chair; Pflug, Ranking Minority Member; Becker, Murray and Parlette.

**Staff:** Mich'l Needham (786-7442)

**Background:** Prescribed durable medical equipment includes a variety of devices, such as blood glucose monitors, canes, home oxygen equipment, hospital beds, walkers, and wheelchairs. Medical insurance often includes coverage for these types of prescribed devices, and a common benefit design may cover 80 percent of the cost of the device, with the remaining 20 percent to be paid by the patient. Some insurance carriers include the cost of the state sales tax with their plan payment to the vendor, but many others do not. The additional charge then falls on the patient or on the vendor providing the device. Some devices are quite expensive and the patient charge for their portion of the payment plus an additional charge for sales tax on the total item price can be prohibitive. For example a specialized power wheelchair for a complex patient can be \$30,000, which could result in thousands of dollars in out-of-pocket charges for the patient.

**Summary of Bill (Recommended Substitute):** Medical insurance plans issued on or after January 1, 2011, that include coverage for prescribed durable medical equipment and mobility enhancing equipment, must include the sales tax or use tax calculation in their plan

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payment. The payment must reflect the negotiated provider agreement for the prescribed equipment, and separately identify the sales tax or use tax if the provider submitting a claim or invoice indicates the geographically adjusted sales tax. The tax calculation must be consistent with the sales tax requirements established in RCW 82.08 and the use tax requirements in RCW 82.12.

The definitions for durable medical equipment and mobility enhancing equipment are consistent with the definitions provided in RCW 82.08 and 82.12. Durable medical equipment includes equipment that can withstand repeated use, is primarily and customarily used to serve a medical purpose, generally is not useful to a person in the absence of illness or injury, and is not worn in or on the body. Mobility enhancing equipment includes equipment that is primarily and customarily used to provide or increase the ability to move from one place to another and is appropriate for use in a home or a motor vehicle, is not generally used by persons with normal mobility, and does not include any motor vehicle or equipment on a motor vehicle normally provided by a motor vehicle manufacturer.

**EFFECT OF CHANGES MADE BY HEALTH & LONG-TERM CARE COMMITTEE (Recommended Substitute):** The payment change is delayed to January 2011 from July 2010, and the requirement to identify the sales tax or use tax separately in the payment is clarified so the plan payment will reflect the negotiated agreement for the prescribed equipment and the separate tax if the provider submits a claim or invoice that identifies the geographically adjusted sales tax.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony on Original Bill:** PRO: We have worked on this issue for a number of years, trying to find a way to protect consumers from the additional costs of these devices. We've tried several approaches and this approach creates a fair method that is simple and creates a benefit for the people who need these devices while also creating a level playing field for insurance carriers. The burden of these expenses disproportionately hits the disabled and elderly population. This bill provides some protection and ensures the sales tax is included in their coverage. A possible amendment that may help further clarify the sales tax should be added separately to the negotiated payment for the device. Extending the sales tax exemption to all of these devices has not been possible, but this approach would hold insurance plans accountable for payment of the tax. The public Medicaid and Labor and Industries payments add on sales tax and we would like the insurance carriers to do the same. Even a small additional charge is having an impact on some persons with disabilities accessing the devices - they cannot afford additional charges and go without.

**Persons Testifying:** PRO: Senator Swecker, prime sponsor; Robert Lee and Thomas Cougan, Pacific Association of Medical Equipment Services; Jesse Magana, Home Care Quality Authority; Nancy Campbell, Therapeutic Resources Inc.